

DEUTSCHE TELEKOM AG  
Form 6-K  
May 11, 2007

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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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**Form 6-K**

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**REPORT OF FOREIGN PRIVATE ISSUER**

**PURSUANT TO RULE 13a-16 OR 15d-16**

**UNDER THE SECURITIES EXCHANGE ACT OF 1934**

For the month of May 2007

Commission file number 001-14540

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**DEUTSCHE TELEKOM AG**

(Translation of registrant's name into English)

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**Friedrich-Ebert-Allee 140**

**53113 Bonn**

**Germany**

(Address of principal executive offices)

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Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

**Form 20-F**  **Form 40-F**

Indicate by check mark whether the registrant by furnishing the information contained in this form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

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Yes  No

This report is deemed submitted and not filed pursuant to the rules and regulations of the Securities and Exchange Commission.

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## Deutsche Telekom at a glance.

At a glance

	Q1	Q1			FY
	2007 millions of	2006 millions of	Change millions of	Change %	2006 millions of
Net revenue	15,453	14,842	611	4.1	61,347
Domestic	7,793	8,208	(415)	(5.1)	32,460
International	7,660	6,634	1,026	15.5	28,887
EBIT (profit from operations)	1,795	2,318	(523)	(22.6)	5,287
Special factors affecting EBIT <sup>a</sup>	(139)	(92)	(47)	(51.1)	(3,156)
Adjusted <sup>a</sup> EBIT	1,934	2,410	(476)	(19.8)	8,443
Adjusted <sup>a</sup> EBIT margin (%)	12.5	16.2			13.8
Profit (loss) from financial activities <sup>b</sup>	(749)	(550)	(199)	(36.2)	(2,683)
Profit before income taxes <sup>b</sup>	1,046	1,768	(722)	(40.8)	2,604
Depreciation, amortization and impairment losses	(2,748)	(2,570)	(178)	(6.9)	(11,034)
EBITDA <sup>c</sup>	4,543	4,888	(345)	(7.1)	16,321
Special factors affecting EBITDA <sup>a,c</sup>	(139)	(82)	(57)	(69.5)	(3,113)
Adjusted EBITDA <sup>a,c</sup>	4,682	4,970	(288)	(5.8)	19,434
Adjusted EBITDA margin <sup>a,c</sup> (%)	30.3	33.5			31.7
Net profit <sup>b</sup>	459	1,090	(631)	(57.9)	3,165
Special factors <sup>a</sup>	(104)	116	(220)	n.a.	(685)
Adjusted net profit <sup>a,b</sup>	563	974	(411)	(42.2)	3,850
Earnings per share/ADS <sup>b,d</sup> , basic and diluted ( )	0.11	0.26	(0.15)	(57.7)	0.74
Cash capex <sup>e</sup>	(2,023)	(2,044)	21	1.0	(11,806)
Net cash from operating activities <sup>f</sup>	2,065	2,797	(732)	(26.2)	14,222
Free cash flow (before dividend payments) <sup>g</sup>	520	1,044	(524)	(50.2)	2,983
Equity ratio <sup>b,h</sup> (%)	36.2	34.7			35.8
Net debt <sup>i</sup>	39,090	37,789	1,301	3.4	39,555
			Change Mar. 31, 2007/ Dec. 31, 2006 %		Change Mar. 31, 2007/ Mar. 31, 2006 %
	Mar. 31, 2007	Dec. 31, 2006		Mar. 31, 2006	
Number of employees at balance sheet date					
Deutsche Telekom Group	247,125	248,800	(0.7)	248,982	(0.7)
Non-civil servants	207,163	208,420	(0.6)	204,818	1.1
Civil servants	39,962	40,380	(1.0)	44,164	(9.5)
Number of fixed-network and mobile customers					
Telephone lines <sup>j</sup> (millions)	50.8	51.6	(1.6)	53.9	(5.8)
Broadband lines <sup>k</sup> (millions)	12.7	11.7	8.5	9.4	35.1
Mobile customers <sup>l</sup> (millions)	109.2	106.4	2.6	99.2	10.1

a For a detailed explanation of the special factors affecting EBITDA, adjusted EBITDA, the adjusted EBITDA margin as well as special factors affecting profit or loss and the adjusted net profit, please refer to Reconciliation of pro forma figures, page 71.

b Prior-year figures have been adjusted due to adoption of IAS 19.93A.

c Deutsche Telekom defines EBITDA as profit/loss from operations excluding depreciation, amortization and impairment losses.

d One ADS (American Depositary Share) corresponds to one ordinary share of Deutsche Telekom AG.

e Cash outflows for investments in property, plant and equipment, and intangible assets (excluding goodwill) as shown in the cash flow statement. These include investments totaling EUR 112 million for parts of Centrica PLC taken over by T-Systems UK as part of an asset deal.

f

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Current finance lease receivables were previously reported in net cash from operating activities. From January 1, 2007, they are reported in net cash from/used in investing activities. Prior-year figures have been adjusted accordingly.

g Since the beginning of the 2007 financial year, Deutsche Telekom has defined free cash flow as cash generated from operations less interest paid and net cash outflows for investments in intangible assets (excluding goodwill) and property, plant and equipment. Prior-year figures have been adjusted. For the calculation of free cash flow, please refer to Reconciliation of pro forma figures,

page 74.

- h Based on shareholders' equity excluding amounts earmarked for dividend payments, which are treated as current liabilities.
- i For detailed information, please refer to Reconciliation of pro forma figures, page 74f.
- j Telephone lines of the Group (including ISDN channels), including for internal use.
- k Broadband lines in operation, including Germany, Eastern and Western Europe.
- l Number of customers of the fully consolidated mobile communications companies of the Mobile Communications strategic business area.

The business areas of the Deutsche Telekom Group.

### Mobile Communications.

The Mobile Communications strategic business area combines all activities of T-Mobile International. All of T-Mobile's national companies offer consumers and business customers a comprehensive portfolio of mobile voice and data services, supplemented by corresponding hardware and terminal devices. They also sell services to resellers and companies that buy network services and market them independently to third parties (MVNOs). T-Mobile has underpinned its position as one of the mobile industry's leading service providers with customer growth of around 10 million customers compared with the prior-year quarter. In addition to the further modernization of the T-Mobile network, this growth is based on products and services that meet user needs for convenience and a simplified rate structure.

	Q1 2007 <sup>a</sup> millions	Q1 2006 <sup>a</sup> millions
Total revenue	8,400	7,575
T-Mobile Deutschland	1,951	2,004
T-Mobile USA	3,468	3,354
T-Mobile UK	1,165	1,032
Adjusted EBITDA	2,539	2,280
Adjusted EBITDA margin (%)	30.2	30.1
Number of employees (average)	60,614	51,511
Mobile customers (millions)	109.2	99.2

<sup>a</sup> For a detailed explanation of the calculations and definitions of the various amounts, please refer to page 27 et seq.

### Broadband/Fixed Network.

In its Broadband/Fixed Network strategic business area, Deutsche Telekom offers consumers and small business customers state-of-the-art network infrastructure for traditional fixed-network services, broadband Internet access, and innovative multimedia services. This strategic business area's customers also include national and international carriers, resellers, and the other strategic business areas of the Deutsche Telekom Group. With more than 12 million DSL lines at the end of the first quarter of 2007, the strategic business area has consolidated its leading position in the broadband market. Overall, the number of broadband customers rose by 3.3 million year-on-year. Due to competition, the number of narrowband lines dropped to 38.3 million.

	Q1 2007 <sup>a</sup> millions of	Q1 2006 <sup>a</sup> millions of
Total revenue	5,832	6,125
Domestic	5,146	5,464
International	698	661
Adjusted EBITDA	1,870	2,278
Adjusted EBITDA margin (%)	32.1	37.2
Number of employees (average)	100,590	108,392
Broadband lines (millions)	12.7	9.4
Narrowband lines (millions)	38.3	40.6
Internet customers with a billing relationship (millions)	17.5	15.5

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a For a detailed explanation of the calculations and definitions of the various amounts, please refer to page 30 et seq.



**Business Customers.**

The Business Customers strategic business area offers products and solutions along the entire information and communications technology value chain. Through its two business units T-Systems Enterprise Services and T-Systems Business Services, the strategic business area supports around 130 multinational corporations and large public authorities, as well as around 160,000 medium-sized, and large enterprises as business customers of the Deutsche Telekom Group. T-Systems recorded a further decrease in revenue in the first quarter of 2007 due to the continuously growing price pressure.

	Q1 2007 <sup>a</sup> millions of	Q1 2006 <sup>a</sup> millions of
Total revenue	2,906	3,063
Enterprise Services	1,941	1,996
Business Services	965	1,067
Adjusted EBITDA	261	357
Adjusted EBITDA margin (%)	9.0	11.7
Number of employees (average)	56,776	52,529
New orders <sup>b</sup>	4,166	2,932

a For a detailed explanation of the calculations and definitions of the various amounts, please refer to page 36 et seq.

b Includes contracts with both internal and external customers.

**Group Headquarters & Shared Services.**

Group Headquarters & Shared Services performs strategic and cross-divisional management functions for the Deutsche Telekom Group and is responsible for operating activities that are not directly related to the core business of the Group. The Shared Services unit includes in particular Real Estate Services, DeTeFleetServices GmbH and Vivento. Since the beginning of 2007, Group Headquarters & Shared Services has also included the shared services and headquarters functions of Magyar Telekom. Vivento further expanded its business activities in the first quarter of 2007 and thus made a significant contribution to the 6.7 percent year-on-year increase in revenue.

	Q1 2007 <sup>a</sup> millions of	Q1 2006 <sup>a</sup> millions of
Total revenue	952	892
Adjusted EBITDA	67	67
Adjusted EBITDA margin (%)	7.0	7.5
Number of employees (average)	29,308	30,992
of which: Vivento <sup>b</sup>	13,500	14,500

a For a detailed explanation of the calculations and definitions of the various amounts, please refer to page 39 et seq.

b Figures rounded. Number of employees at balance sheet date.

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**Developments in the Group.**

Net revenue increased by 4.1 percent from EUR 14.8 billion in the first quarter of 2006 to EUR 15.5 billion.

Heavy price pressure and strong competition caused domestic revenue to drop 5.1 percent year-on-year from EUR 8.2 billion to EUR 7.8 billion. By contrast, international revenue rose 15.5 percent from EUR 6.6 billion to EUR 7.7 billion.

Adjusted for special factors, Group EBITDA<sup>1</sup> declined year-on-year by 5.8 percent from EUR 5.0 billion to EUR 4.7 billion. Group EBITDA decreased by 7.1 percent from EUR 4.9 billion to EUR 4.5 billion.

Adjusted for special factors, EBITDA of subsidiaries based in Germany fell by 18.6 percent from EUR 3.2 billion to EUR 2.6 billion. Adjusted EBITDA of subsidiaries based outside Germany increased 17.5 percent from EUR 1.8 billion to EUR 2.1 billion.

Net profit adjusted for special factors<sup>1</sup> was EUR 0.6 billion, compared to EUR 1.0 billion in the first quarter of 2006; net profit for the period reached EUR 0.5 billion, compared to EUR 1.1 billion in the first quarter of 2006.

Free cash flow<sup>2,3</sup> before dividend payments at EUR 0.5 billion.

Net debt<sup>4</sup> decreased from EUR 39.6 billion to EUR 39.1 billion compared with the year-end.

The Group experienced continued strong customer growth in fixed-network and mobile communications in the first quarter of 2007:

Mobile customers rose by 2.8 million to a total of 109.2 million.

The number of broadband lines reached 12.7 million after 1.0 million new additions, including 0.6 million retail lines in Germany, in the first quarter of 2007.

In the Business Customers area the order volume rose sharply to EUR 4.2 billion in the first quarter of 2007 over EUR 2.9 billion in the same quarter last year.

- 1 For a detailed explanation of the special factors affecting EBITDA, adjusted EBITDA, the adjusted EBITDA margin and special factors affecting net profit/loss after income taxes and the adjusted net profit, please refer to Reconciliation of pro forma figures, page 71 et seq.
- 2 Since the beginning of the 2007 financial year, Deutsche Telekom has defined free cash flow as cash generated from operations less interest paid and net cash outflows for investments in intangible assets (excluding goodwill) and property, plant and equipment. Prior-year figures have been adjusted. For calculation and more detailed explanation of the changed definition of free cash flow, please refer to Reconciliation of pro forma figures, page 74.
- 3 Excluding cash outflows totaling EUR 121 million for parts of Centrica PLC taken over by T-Systems UK as part of an asset deal.
- 4 For detailed information, please refer to Reconciliation of pro forma figures, page 75.

T-Share price performance.

Performance of the T-Share Jan. 2 Mar. 31, 2007

	Mar. 31, 2007	Mar. 31, 2006	Dec. 31, 2006
<b>Xetra closing prices ( )</b>			
Exchange price at the balance sheet date	12.38	13.92	13.84
High (during the preceding quarter)	14.75	14.34	13.95
Low (during the preceding quarter)	12.18	12.90	12.44
<b>Weighting of the T-Share in major stock indexes</b>			
DAX 30 (%)	4.8	5.7	5.6
Dow Jones Europe STOXX Telecommunications <sup>®</sup> (%)	9.1	9.9	9.9
Market capitalization (billions of )	54.0	58.4	60.4
Shares issued (millions)	4,361.18	4,198.10	4,361.12

#### Capital markets environment.

The first quarter of 2007 was a turbulent one on the financial markets, but positive overall. Although the leading stock exchanges grew steadily firmer in the first few weeks, mixed macroeconomic data, coupled with uncertainty about the further development of the U.S. real estate market and prospects for corporate profits, led to a massive slump in prices on the international stock markets at the end of February 2007. The downward trend accelerated in March 2007. Many investors wavered in the face of the abrupt increase in volatility following the Shanghai crisis, during which the leading equity index at the Shanghai exchange had lost just under 9 percent, triggering a global slide in prices. However, the mood brightened again in mid-March 2007, when the U.S. Federal Reserve hinted at the possibility of a cut in interest rates.

Developments in the DAX were more pronounced than the global market trends during the first quarter of 2007. The subsequent recovery was also pronounced as a result of unexpectedly robust economic growth in Germany and the euro zone. Overall, the index rose by around 4.9 percent to 6,917 points, despite the corrections in the first quarter. This increase was driven primarily by a small number of DAX heavyweights, which recorded significant price appreciation in particular due to take-over and divestiture rumors.

**Development of international indexes.**

Developments on other international stock exchanges generally were much more restrained than the development on the DAX, with the Euro STOXX 50 posting a rise of 1.5 percent. U.S. markets closed the first quarter of 2007 on a mixed note. From its high at the end of February, the Dow Jones lost just under 6 percent in the following trading days, closing the quarter down by a total of 0.9 percent. The NASDAQ experienced a slightly more stable trend, rising by 0.3 percent. The Tokyo stock exchange also stabilized again following the slump in late February/early March 2007. The Nikkei was unable to completely recover lost ground, however, and closed with an increase of 0.3 percent. The Dow Jones Europe STOXX Telecommunications<sup>®</sup> sector index again fell short of the overall market trend, dropping 2.6 percent in the first three months of 2007.

**T-Share performance.**

In the telecommunications sector, the weak trend affecting integrated providers with a high proportion of fixed-line customers continued in the first quarter of 2007. While the share prices of smaller providers in the Dow Jones Europe STOXX Telecommunications<sup>®</sup> index grew substantially on the back of takeover speculation, the share prices of Deutsche Telekom's major competitors continued to lose ground. The T-Share lost a total of 10.6 percent in the first quarter of 2007.

January: In a favorable market and sector environment, the T-Share price rose in the first weeks of January, reaching its high for the quarter at EUR 14.75 on January 16, 2007. The share outperformed the DAX at this point. The share lost 4 percent on January 29 following the revised earnings forecast for 2007.

February: The T-Share traded within a narrow range in February 2007, although with a somewhat more constant trend than the market and the sector. The T-Share responded to the dramatic price corrections in the wake of the uncertainty in the U.S. real estate market towards the end of the month with smaller decreases than the DAX and the sector index. The share lost just under 3 percent over the month as a whole.

March: Deutsche Telekom published its final financial figures for 2006 on March 1, 2007 and presented the future strategy of the Group. The T-Share closed that day down 3.8 percent. In a turbulent market and sector environment, the T-Share hit its low for the quarter on March 14, 2007 (EUR 12.18). Overall, the T-Share suffered a drop of 8.7 percent in March 2007, closing the quarter at EUR 12.38. Performance of the T-Share vs. the DAX and the Dow Jones Europe STOXX Telecommunications<sup>®</sup> indexes Jan. 2 – Mar. 31, 2007

Performance of the T-Share vs. European competitors Jan. 2 - Mar. 31, 2007

**Corporate governance.**

In the most recent Declaration of Conformity pursuant to § 161 of the German Stock Corporation Act released on December 11, 2006, the Board of Management and Supervisory Board of Deutsche Telekom AG declared that Deutsche Telekom AG had complied with the recommendations of the Government Commission for a German Corporate Governance Code, published by the Federal Ministry of Justice in the official section of the electronic Federal Gazette (Bundesanzeiger) on July 24, 2006, without exception. The full text of the Declaration of Conformity can be found on the Deutsche Telekom Investor Relations link under [www.deutschetelekom.com](http://www.deutschetelekom.com).

Deutsche Telekom AG shares are listed as American Depositary Shares (ADSs) on the New York Stock Exchange (NYSE). As a result, Deutsche Telekom is subject to the NYSE listing rules as well as to U.S. capital market legislation, in particular the Sarbanes-Oxley Act of 2002 and associated regulations of the Securities and Exchange Commission (SEC) for listed foreign entities. A general summary of the main differences between German corporate governance rules and those of the NYSE that apply to U.S. entities is included in Deutsche Telekom's Annual Report on Form 20-F for the 2006 financial year, and is also published at [www.deutschetelekom.com](http://www.deutschetelekom.com) in the Corporate Governance chapter of the Investor Relations section.



